

VZCZCXRO2104
PP RUEHLMC
DE RUEHKV #1087/01 1571437
ZNY CCCCC ZZH
P 051437Z JUN 08
FM AMEMBASSY KYIV
TO RUEHC/SECSTATE WASHDC PRIORITY 5753
INFO RUEHZG/NATO EU COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 KYIV 001087

SIPDIS

E.O. 12958: DECL: 06/05/2018
TAGS: [PGOV](#) [PREL](#) [PINR](#) [UP](#)
SUBJECT: UKRAINE: BALOHA CASTS COALITION IN NEGATIVE LIGHT

Classified By: Ambassador for reasons 1.4(b,d).

¶1. (C) Summary. Head of the Presidential Secretariat Viktor Baloha told the Ambassador on June 3 that the coalition was struggling forward and would continue to work together, but that they were nearing the breaking point. He criticized Tymoshenko for being unconstructive and populist, with policies that could collapse the economy. He said that President Yushchenko and Prime Minister Tymoshenko had agreed during a June 2 meeting that the PM, and the coalition, would be "on a short leash," where Yushchenko and Rada Speaker Yatsenyuk would have to agree ahead of time to all CabMin decisions. Baloha said that if Tymoshenko stuck to this agreement, things would move forward. If not, the President's team would consider alternatives, and he promised the Ambassador would be the first to know if and how the coalition was going to be reformatted.

¶2. (C) Comment. Although Baloha's ostensible message was that the coalition was still finding ways to work together, it was clear he was laying the groundwork to be able to justify a shake-up down the road by claiming that Yushchenko had done his best but that Tymoshenko did not honor her promises. The more the Ambassador probed about the details of this new agreement between President and PM, the less Baloha sounded like he wanted it to work. Still in question are to what degree Baloha speaks for Yushchenko and what alternatives the two leaders have. Since losing the Kyiv elections on May 25, Tymoshenko has been more conciliatory in her actions (although not her public comments), agreeing to swear in Yushchenko's Constitutional Court nominees and backing away from immediate constitutional reform. We assess that it is in her interest to stick it out in the government until the fall, which gives her time to fight inflation and shore up her slowly dropping ratings and doesn't put her in the opposition too far in advance of next year's presidential race. For Yushchenko's part, he is unlikely to make a move until he has an alternative path forward worked out, which could take some time. End summary and comment.

Criticizing Tymoshenko

¶3. (C) Baloha, who had requested the meeting, said he wanted to update the Ambassador on the current state of affairs within the coalition and government. He said there had been changes and there would be more changes in the near future, although he did not specify what kind. Baloha then switched tracks, saying that he had set a trap for Tymoshenko back in January to test her. It was then that Yushchenko nominated three new Constitutional Court judges to replace the three who had been removed, and Baloha had watched closely to see when the Rada would confirm the nominees. Tymoshenko opposed the nominations and blocked the confirmation, only allowing it to finally go forward on June 3 and only when she finally acknowledged she was defeated. However, instead of admitting her defeat quietly, she fought against it, sending alleged ally Viktor Medvedchuk to opposition leader Yanukovych four times over the weekend asking Regions to blockade the Rada on

June 3 to prevent the judges from being sworn in. Baloha knew this, he said, because he talked to Yanukovych frequently and the opposition leader had told him everything.

14. (C) Turning to the Kyiv elections, Baloha termed them a victory. He said they had opposed early elections from the beginning and warned Tymoshenko not to hold them, but she wanted them and then she lost. If she had united around candidate Vitaliy Klychko, they might have won, but she refused and the Presidential Secretariat backed no one. (Note. Many believe that tacitly the Secretariat backed Chernovetskiy through their refusal to back anyone else. End note.)

15. (C) Baloha said that the economy was in crisis, including Ukraine's international image and its investment climate. He said that the government's program was populist and would lead to economic collapse if implemented. That was why Yushchenko had canceled Tymoshenko's privatization program. If a privatization program is passed, the revenues won't all go to social spending, but will rather be reinvested in Ukrainian infrastructure and other needs. He also said that if a good privatization program is adopted, it will not matter who the head of the State Property Fund is.

And Questioning Viability of Coalition

16. (C) Baloha said that they had exhausted all their patience. If Tymoshenko decides to run for president, she will be removed as PM. Any mistakes she makes will be

KYIV 00001087 002.2 OF 002

catastrophic for her and "we won't help her in anything." He said the fact that the coalition passed a privatization program in the first reading on June 3 showed that the coalition was stable. (Note. The Rada also passed, among others, amendments to the budget and a flawed version of the Customs Tariff law needed for WTO. End Note.) However, they were nearing the point of no return. The PM and her political force were making unacceptable comments -- the presidential team would not respond in kind, but if she did not honor her commitments, he couldn't say what would happen next. Baloha then told the Ambassador that Yushchenko and Tymoshenko had met on June 2 and agreed that all CabMin decisions should be passed only after agreement from the President and Rada Speaker Yatsenyuk. Baloha described this as the PM "on a leash that was short and shrinking." He added that the coalition was also on a short leash, adding "less democracy is good" in that respect. If Tymoshenko adheres to this agreement, everything will be okay. If she does not, Baloha promised that they would "push the red button" on the coalition. The choice was harmony or a new coalition, and Tymoshenko understood this now. Baloha said they were back to a situation like when Yanukovych was PM, and if the presidential side made any more concessions, it would be ruined. (Comment. Baloha's statements are a little disingenuous given that the Presidential Secretariat is far more aggressive now than it was when Yanukovych was PM and Tymoshenko has tried to be more cooperative. End comment.)

17. (C) Despite the agreement, Baloha said, it will be hard for the President and PM to move forward together. Constructive work, he argued, now depends more on Tymoshenko than on Yushchenko, because she holds the cards to cooperation. When the Ambassador asked what the alternative would be to the current coalition, Baloha said that the Ambassador would be the first to know if the coalition was being terminated, but he would not offer details of what he saw for the future. He did say that early Rada elections would only happen if the President deemed them necessary, not simply because Tymoshenko wanted them. In response to the Ambassador's question, Baloha clarified that Yanukovych was not part of any agreement between Yushchenko and Tymoshenko. He said Yanukovych understands the situation well and knows

he is in a good position sitting on the sidelines. Baloha wrapped up the conversation saying that "processes" were underway that had a negative impact on the coalition, and that if these processes evolve further, the coalition will collapse.

18. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
TAYLOR